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The Manufacturers Hanover
Financial Digest
Weekly Commentary, Selected Financial Data, and Business Indicators

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New York State Feels The Recession

After persistent employment gains in each of the last five years, New York State has finally been affected by the national recession, experiencing a net loss of more than 53,000 jobs last year. Employment losses were broadly-based and affected most—but not all—major industries. For example, while there was a net loss of 72,000 jobs in manufacturing, there were gains in financial and other services on the order of 47,600 jobs. However, even these increases were anemic by historical standards.

The general weakness in the state's economy was reflected in a broad array of indicators. The state's unemployment rate edged up from 7.7 per cent to 8.6 per cent between December, 1981 and December, 1982, but remained below the comparable national rate of 10.5 per cent. Unemployment would have been even higher, were it not for the fact that the state's labor force contracted by about 68,000 workers.

Retail sales weakened during 1982. Total sales rose from $70.0 billion in 1981 to $73.8 billion in 1982, a gain of only five per cent. When adjusted for the average annual inflation rate, this is equivalent to hardly any change at all. Construction activity also remained depressed. Nonresidential contract awards declined by seven per cent, reflecting growing slack in the demand for office space—particularly in New York City. Residential awards rose by seven per cent, a possible harbinger of recovery ahead. On a brighter note, defense spending exerted a positive influence on the state's economy in 1982, as Defense Department prime contract awards to the state rose 19 per cent over year-ago levels.

The abrupt turnaround in the state's economy coupled with declining Federal aid to state and local governments caused a shortfall in state revenues. The state responded by laying off 7,000 workers effective in April. Bills currently before the state legislature would broaden the base of the state sales tax, thereby increasing state revenues—but at the expense of private consumption. It therefore seems unlikely that state spending will be able to ease the economy out of the recession as it has in the past. If anything, retrenchment at the state level may well prolong the recession.

New York City Moderately Affected

During 1982, the Greater New York area gained approximately 6,400 jobs. However, New York City lost almost 7,000 jobs while the surrounding suburbs—Nassau, Suffolk, Westchester, Rockland and Putnam Counties—collectively gained more than 13,000 jobs. This contrasts with the situation that prevailed in 1981, when the city generated 55,000 new jobs while employment growth in the suburbs was held to fewer than 20,000.

At the heart of the city's problem is the renewed decline in manufacturing employment. During 1982, New York City lost more than 26,000 manufacturing jobs. These losses were only partly offset by a gain of almost 20,000 nonmanufacturing jobs, primarily in finance and services. As a consequence, New York City retail sales in 1982 increased only 0.4 per cent before adjusting for inflation, causing 5,800 retail jobs to be lost. New York City's unemployment rate remained unchanged at about nine per cent between December, 1981 and December, 1982. However, the rate would have been much higher except for a 71,000-person decline in the size of the city's civilian labor force. This might reflect, at least in part, the "discouraged worker" phenomenon.

The region's suburbs weathered the recession somewhat better than the city. Suburban manufacturing employment declined by about 4,000 jobs in 1982 but this was more than offset by broadly-based employment gains in the nonmanufacturing sector. The figures also suggest that suburban commuters garnered many of the emerging financial and service jobs in New York City, thereby bolstering the suburban economy. As a result, suburban unemployment rates remained in the 5-6 per cent range.

Growing Unemployment Upstate . . .

In Western New York State, the Buffalo and Rochester labor markets collectively lost almost

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23,000 jobs in 1982, almost 18,000 in manufacturing alone. Buffalo's economic base, which is dominated by such heavy manufacturing industries as autos and steel, seems to be more recession-prone than that of Rochester, a "high-tech" area. In 1982, Buffalo lost more than 22,000 jobs following a loss of 6,000 jobs in 1981. Rochester lost less than 1,000 jobs, despite some growth in its service industries, compared with a gain of almost 6,000 jobs in 1981.

Buffalo's economic problems are reflected in its disproportionately high unemployment rate which increased from 10.5 per cent in December, 1981 to 12.9 per cent in December, 1982. Rochester's relatively flat economy is noteworthy because it suggests that even high-technology areas can be affected by recessions. The economy pushed Rochester's unemployment rate from 6.3 per cent to 8.1 per cent between December, 1981 and December, 1982.

The economy of Central New York can best be described as flat. In 1982, the Albany area lost approximately 4,700 jobs, many in heavy machinery manufacturing around Schenectady. The Albany area also lost approximately 1,200 retail jobs and 1,000 government jobs but gained 2,000 jobs in finance and services. Albany's economy managed to hold its own during 1982 with the unemployment rate increasing from 6.6 per cent to only 7.3 per cent over the year.

Selected Federal Reserve Data

(Averages of Daily Figures—Billions of Dollars)

	Week Ending 4/20/83	$ Change Since Week Ago	$ Change Since Year Ago
Reserve Bank Credit			
U.S. Gov'ts and Agencies Owned Outright & RPs	147.755	+ 2.267	+ 9.202
Loans to Depository Inst.	.665	+ .080	− .988
Float	2.558	+ .303	+ .165
Total Reserve Bank Credit	160.409	+ 2.837	+ 8.259
Treasury Deposits with Federal Reserve Banks	3.267	+ .258	− .991
Currency Outside Banks	140.306	+ .789	+10.845
Member Bank Reserves:			
Required	39.173	+ 1.993	− 1.074
Excess (Deficiency)	.166	− .369	− .005
Total Reserves Held	39.339	+ 1.624	− 1.079
Net Borrowed Reserves	.017	.392	− 1.058
Gov'ts held for Foreign Acct. by F.R. Banks (End-of-Week)	111.589	− .130	+20.422

Monetary Aggregates †		% Change Since Three Months Ago*	% Change Since Year Ago
M1	494.2	+ 13.8‡	+ 10.4‡
M2 (March '83)	2,065.8	+ 21.7	+ 13.0
M3 (March '83)	2,443.0	+ 11.0	+ 10.5
Domestic Nonfinancial Debt (4th Q'82)	4,745.6	+ 10.2	+ 9.2

† Seasonally adjusted.

* Seasonally adjusted annual rate.
‡ Four-week moving average.

New York Money Market

Offering Rates 4/29/83	3 Months	6 Months	1 Year
‡ U.S. Treasury Bills	7.75%	7.80%	7.90%
* Federal Agencies	8.20	8.25	8.85
* Project Notes—Taxfree (46% Taxable Equivalent)	8.80	8.80	9.63
Negotiable Time CDs Manufacturers Hanover	Rates By Arrangement		
* Secondary Market—Prime	8.40	8.50	9.00

‡ Finance Company Paper—Prime

5- 14 days	8.50%
15- 29 days	8.50
30- 59 days	8.38
60- 89 days	8.25
90-179 days	8.25
180-239 days	8.25
240-270 days	8.25

‡* Bankers' Acceptances

May	8.30%
Jun.	8.25
Jul.	8.25
Aug.	8.25
Sep.	8.25
Oct.	8.20

‡ Industrial Paper—Prime

30- 89 days	8.38%
90-120 days	8.38

† Federal Funds Effective Rate 8.60%

‡ Discount basis. * Subject to availability. † Estimated.

Selected Business Indicators

(All Dollar Figures in Billions)

	Latest Period or End of Period		Previous Period	Year Ago Period
Gross National Product (Current Dollars)*	1st Q'83	$ 3,177	$ 3,108	$ 2,996
Gross National Product (1972 Dollars)*	1st Q'83	$ 1,489	$ 1,477	$ 1,471
Percent Change, Annual Rate	1st Q'83	3.1	− 1.1	− 5.1
Change in Consumer Prices (new series)*	Mar '83	1.2%	− 2.4%	0.0%
Change in Producer Prices*	Mar '83	− 1.2%	1.2%	− 3.6%
Civilian Employment (Thousands of Persons) †	Mar '83	99,103	99,063	99,597
Unemployment as % of Civilian Labor Force †	Mar '83	10.3%	10.4%	9.0%
Personal Income*	Mar '83	$ 2,659	$ 2,644	$ 2,519
Leading Indicators Composite Index (1967=100) †	Mar '83n	149.8	147.6	134.7
Industrial Production Index (1967=100) †	Mar '83	139.1	137.6	141.7
Net Change in Consumer Installment Credit †	Feb '83	$ 1.74	$ 2.93	$ 0.17
U.S. Merchandise Trade Balance †	Feb '83	−$ 3.58	−$ 3.57	−$ 1.79
Plant and Equipment Expenditures*	2nd Q'83	$302.20(a)	$302.25(a)	$323.22
Private Housing Starts (Thousands of Units)*	Mar '83	1,611	1,775	920
New Construction Expenditures*	Feb '83	$ 250.9	$ 256.1	$ 222.6
Total Business Inventories †	Feb '83	$ 508.1	$ 507.6	$ 522.0
Total Business Sales †	Feb '83	$ 339.1	$ 343.7	$ 343.1

* Seasonally adjusted annual rate. † Seasonally adjusted. n Newly reported figure. a-Anticipated.

The Binghamton area lost fewer than 1,000 jobs during 1982. Manufacturing is the area's dominant industry—but more than half of these jobs are in electronics. Manufacturing employment remained unchanged in 1982 as job losses were confined to the nonmanufacturing sector. Binghamton's unemployment rate did increase from 6.4 per cent to 8.4 per cent between December, 1981 and December, 1982, however, because of a combination of minor job losses and continued labor force growth.

The Syracuse area lost almost 2,000 jobs in 1982, and over 3,000 in durable goods manufacturing alone. However, the nonmanufacturing sector added 2,000 jobs, primarily in construction, retail trade and services. It was the weakest metropolitan area in the state in terms of construction activity. Still, Syracuse's unemployment rate remained below the national average at yearend, coming in at 8.4 per cent.

The Utica-Rome area, which specializes in such durable manufacturing industries as primary and fabricated metals and nonelectrical machinery, lost about 2,200 jobs in 1982. The loss was confined to the area's dominant durable manufacturing industries; nonmanufacturing employment was unchanged over the year. Utica's unemployment rate increased from 7.6 per cent to 10.0 per cent during 1982, reflecting both job losses and continued labor force growth.

(continued on back page)

Short Term Paper Outstanding

(Millions of Dollars)

	Latest Week	Change Since Week Ago	Change Since Year Ago
Negotiable Time CD's Weekly Reporting Banks			
Nationwide (4/13/83)	104,101	+ 536	–26,760
New York City (4/13/83)	27,183	– 125	– 5,866
Commercial Paper (4/13/83)	166,952	+ 965	– 1,992*

*Series redefined. Data prior to December 1, 1982, are not strictly comparable to the data reported after that date.

Bank Loans

(Millions of Dollars)

Commercial and Industrial Loans

Weekly Reporting Large Commercial Banks	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (4/13/83)	215,617	– 1,824	+10,924
New York City (4/13/83)	58,739	– 889	+ 1,791

Total Loans Gross Adjusted

	Latest Week	Change Since Week Ago	Change Since Year Ago
Nationwide (4/13/83)	503,490	– 2,046	+22,022
New York City (4/13/83)	116,621	– 1,581	+ 4,907

Financial Markets

	Friday 4/29/83	Change Since Week Ago	Change Since Year Ago
U.S. Governments, Closing Yields:			
90-Day Bills†	8.30%	0.00	– 4.55
180-Day Bills†	8.48	– .12	– 4.98
Longest Bill†	8.63	– .22	– 4.99
Recent Issues:			
9 1/2s 4/30/85 (When Issued)	9.27	– .23	
10 1/4s 3/31/87	9.67	– .18	
10 7/8s 2/15/93	10.20	– .13	
10 3/8s 11/15/12	10.34	– .11	
Municipals:			
Bond Buyer–20 Bond Index* (4/28/83)	8.82%	– .27	– 3.15
Blue List Total ($ Million)	$1,464	+ $138	+ $ 616
30-Day Visible Supply ($ Million)	$4,237	+ $116	+ $2,614
Total	$5,701	+ $254	+ $3,230
Corporates:			
Moody's Aa Composite (4/28/83)	11.98%	– .07	– 2.79
30-Day Visible Supply ($ Million)	$ 775	– $150	$ 416
Stocks:			
Dow-Jones Averages:			
Industrials	1,226.20	+ 29.90	+ 377.84
Transportation	524.94	– 2.30	+ 181.81
Utilities	128.41	+ 1.24	+ 14.92
65 Stocks	473.95	+ 6.60	+ 140.34
Standard and Poor's 500 Stocks	164.42	+ 4.00	+ 47.98
N.Y.S.E. Composite Index	94.27	+ 2.12	+ 27.19
N.Y.S.E. Avg. Daily Vol. for Week (000's)	101,238	+ 3,498	+ 47,780

* 46% Taxable equivalent 16.33%.

† Bond equivalent.

International Rates

EURODOLLAR DEPOSIT RATES (bid)	Friday 4/29/83	Week Ago
Overnight	8.88%	8.63%
1 month	8.81	9.00
3 month	8.88	9.19
6 month	9.00	9.31
1 year	9.19	9.44
EURODOLLAR BONDS		
Average Yield		
Medium Term (5 to 7 yrs.)	11.45%	11.55%
Long Term (7 to 15 yrs.)	11.55	11.65

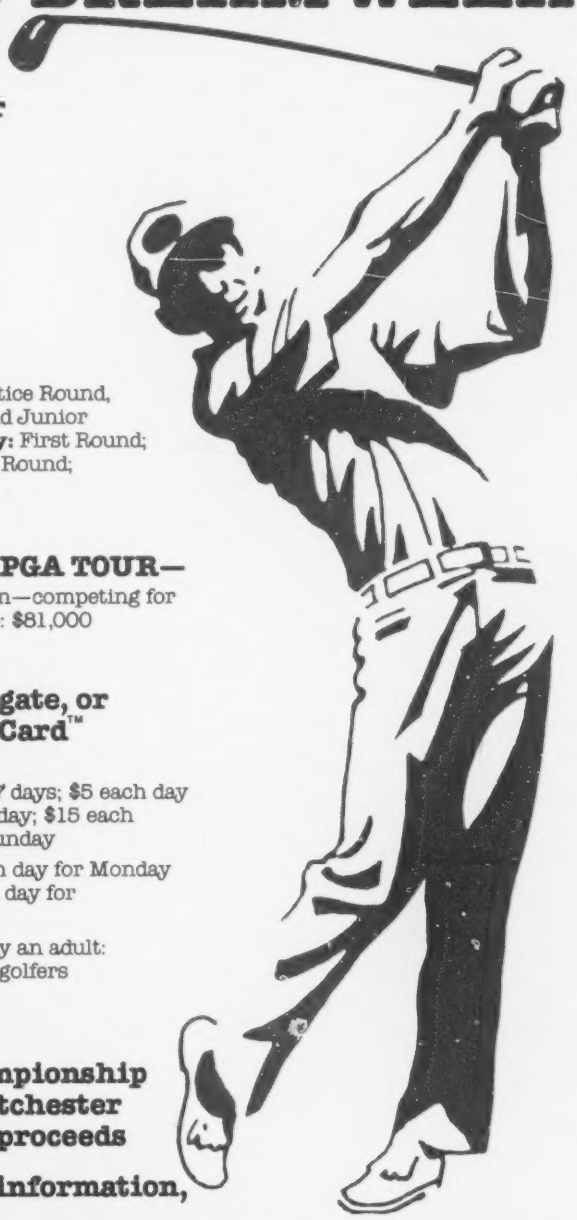
FOREIGN EXCHANGE SPOT RATES

New York Opening (4/29/83)	U.S. $ Equivalent	Currency Per U.S. $
Belgium	.02043	48.95
Canada	.8168	1.2243
Denmark	.1143	8.745[illegible]
France	.1356	7.3725
Germany	.4068	2.4580
Italy	.0006845	1461.00
Japan	.004210	237.53
Mexico	.006689	149.50
Netherlands	.3615	2.7660
Switzerland	.4844	2.0642
U.K.	1.5620	.6402

. . . Except In The Hudson Valley

The Poughkeepsie metropolitan area, which encompasses Dutchess County, is the dominant labor market within the Hudson Valley. Although manufacturing accounts for about one-third of its jobs, Poughkeepsie was one of the few labor market areas in the state to gain jobs during 1982. Its employment base expanded by about 3,000 jobs—2,000 of them in manufacturing, primarily in computers and communications. Poughkeepsie's December unemployment rate, 5.8 per cent, was among the lowest in the state. H

GOLF FANS' DREAM WEEK



WHAT:
The Manufacturers Hanover Westchester Classic

WHERE:
Westchester Country Club Harrison, New York

WHEN:
Monday, June 6, thru Sunday, June 12

Monday: Practice Round; **Tuesday:** Practice Round, National Long Driving Championship and Junior Golf Day; **Wednesday:** Pro-Am; **Thursday:** First Round; **Friday:** Second Round; **Saturday:** Third Round; **Sunday:** Final Round

WHO:
Many of the top pros on the PGA TOUR—
including Bob Gilder, defending champion—competing for $450,000 in prize money. Winner's purse: $81,000

HOW:
Tickets are available at the gate, or to charge on Visa® or MasterCard™ call 212-808-8100

Sports House and Grounds: $50 for all 7 days; $5 each day for Monday and Tuesday; $10 for Wednesday; $15 each day for Thursday, Friday, Saturday and Sunday

Grounds only: $40 for all 7 days; $3 each day for Monday and Tuesday; $6 for Wednesday; $12 each day for Thursday, Friday, Saturday and Sunday

Youngsters 14 and under, accompanied by an adult: $5 (at the gate only). On Tuesday, junior golfers 18 and under are admitted free.

WHY:
The opportunity to see championship golf and support the 13 Westchester hospitals that share in the proceeds

For ticket and tournament information, call 914-967-5356

SEE YOU THERE!

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